

VZCZCXRO1469
RR RUEHRG
DE RUEHRI #0322 3331123
ZNR UUUUU ZZH
R 281123Z NOV 08
FM AMCONSUL RIO DE JANEIRO
TO RUEHC/SECSTATE WASHDC 4707
INFO RUEHBR/AMEMBASSY BRASILIA 1033
RUEHSO/AMCONSUL SAO PAULO 5214
RUEHRG/AMCONSUL RECIFE 3481
RUCPDO/USDOC WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC

UNCLAS RIO DE JANEIRO 000322

SIPDIS

STATE FOR WHA/BSC, WHA/EPSC, EB/ESC

E.O. 12958: N/A

TAGS: [ENRG](#) [ETRD](#) [BR](#)

SUBJECT: ITC Specialist Discusses Ethanol in Rio de Janeiro

¶1. On October 21-22, International Trade Commission Trade Specialist Douglass Newman, accompanied by Senior Pol/Econ Specialist, visited Rio de Janeiro to meet with Brazilian contacts on ethanol issues. Mr. Newman's focus is ethanol trade and specifically CBI quota issues. Newmann also had meetings in Sao Paulo and visited ethanol mills in the state of Vitoria.

¶2. Sandra Polonia Rios, trade specialist and consultant to Brazil's National Confederation of Industries (CNI), discussed ethanol and sustainability issues. Rios indicated that Andre Nassar, Director General of the Institute for International Trade Negotiations (ICONE), a Sao Paulo-based institute, had conducted several studies on sustainability. ICONE has a representative on the Board of Directors of the Institute for Responsible Agribusiness (ARES), a think tank on agribusiness sustainability. Rios said that big Brazilian multinational companies like giant mining company VALE and poultry and pig producer SADIA are investing a great deal in sustainability, not only because of trade but also because of their own investments in "green funds" in the stock market. The pressure for sustainability comes not only from international organizations but also from domestic NGOs and the public opinion, she said. However, these private sector initiatives may be jeopardized now because of the recent global economic downturn. Rios indicated that there probably would not be an agreement on sustainability at the WTO because the WTO has been unable to resolve already existing simpler issues. "Imagine a complex one like sustainability," she offered.

¶3. Cynthia Maria Xavier, Manager of Ethanol Partnerships and Marcelo Couto Moyses, Ethanol and Oxygenates Management of the recently created Petrobras Biofuels (PB) subsidiary briefed Newman on the company's activities and explained that PB's goal is to be the leader in the national production of biodiesel and to increase Petrobras' share of the ethanol supply market. The company wants to develop technologies that will make it a world leader in the production of biofuels, including raw materials from low value added residual biomass. PB's total planned investment for 2008-2012 is US\$ 1.5 billion. For ethanol, PB wants to use a "tripartite model:" an ethanol production company with 60% Brazilian ownership, 20% PB, 20% a foreign company. PB is currently negotiating an ethanol joint venture with Conoco under this model and has already closed similar deals with Japanese partners.

¶4. At the Brazilian National Agency for Petroleum, Natural Gas and Biofuels (ANP), Newman met with Cristina Nascimento, Deputy Superintendent for Biofuels and Product Quality; Luiz Fernando de Souza Coelho, Supply Superintendent; Cristiane Andrade, Biofuels Coordinator; and Eduardo da Silva Torres, Advisor to the Superintendent of Biofuels and Product Quality. Nascimento explained that ANP is the Brazilian federal government agency responsible for the regulation of the energy sector, and monitors and regulates the activities of the petroleum and ethanol industries, in particular. Coelho discussed the ethanol blend, for which the Ministry of Agriculture, not ANP, is responsible. He explained changes in the blend. In the late 1970s, Brazil mandated

the blending of anhydrous ethanol with gasoline at levels varying from 10 to 22 percent. In 2003, these limits were set at a minimum of 20 percent and a maximum of 25 percent. Since July 2007, the mandatory blend is 25 percent of anhydrous ethanol and 75 percent gasoline.

15. After visiting Rio, International Trade Commission Trade Specialist Douglass Newman did a presentation on U.S. Ethanol Policy at the VIII Datagro International Conference on Sugar and Ethanol, on October 28, 2008 in Sao Paulo.

MARTINEZ